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MHESLA Continues Zero Percent Loan Program 'Michigan Students First' to Carry on Despite Federal Changes

Despite recently enacted federal legislation which reduced student loan lender subsidies by \$21 billion, the Michigan Higher Education Student Loan Authority (MHESLA) announced that the *Michigan Students First* (MSF) program will remain unchanged for the 2007-08 academic year. This will continue borrower benefits such as a zero percent interest rate for Federal Family Education Loan Program (FFELP) student loans for Michigan students.

"MHESLA will maintain its *Michigan Students First* program, which assists Michigan families in reaching their higher education goals," said Patricia Scott, Director of the Student Financial Services Bureau. "MHESLA's mission includes a responsibility to provide significantly lower-cost loans and we are dedicated to providing them."

Michigan Students First addresses affordability by significantly lowering the cost of borrowing for students and parents. While educational loans always should be used conservatively, they promise a remarkable return on investment. Michigan Students First improves upon this by offering educational loans with no fees and zero percent interest after the first 36 months of repayment.

Michigan Students First Borrower Benefits Provide:

- Federal Stafford and PLUS Loans: Payment or Reimbursement of the Federal Origination Fee
- Zero Percent (0%) Interest Rate After the First 36 Months of On-Time Payments
- 8.5% PLUS Loan Interest Rate Reduced to 7.9% for First 36 Months

Congress recently passed the College Cost Reduction and Access Act of 2007 which, while increasing funding for Pell Grants, also reduced subsidies to student loan lenders. As a result, some private lenders are announcing the reduction or elimination of cost-reduction borrower benefits on new federal student loans disbursed after October 1, 2007. In contrast, MHESLA announced that MSF borrower benefits on FFELP loans will continue for the 2007-2008 academic year.

To date, some 300,000 Michigan borrowers have received more than \$45 million in MSF benefits and could receive additional savings as a result of the zero percent interest rate benefit, all without the use of state funds. In addition, MHESLA works with the **Michigan Guaranty Agency** (MGA) which also provides benefits to borrowers to lower their education expenses. **There is no federal default fee** for Federal Stafford and Federal PLUS loans guaranteed by the MGA, the federally designated guarantor for student loans in the State of Michigan, and its lender partners. Since 1965, MGA has helped students and their families finance a postsecondary education through more than \$11 billion in low-cost, guaranteed student loans.

Please visit www.michigan.gov/mistudentaid for more information on this or other student loan programs.

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